



THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

OMB Circular A-133 Reports

Year ended June 30, 2010

(With Independent Auditors' Reports Thereon)

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

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THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Research and Development – Cluster:		
U.S. Department of Agriculture:		
Direct programs:		
National Institute of Food and Agriculture	10.RD	\$ 87,613
		<u>87,613</u>
Passed-through programs:		
Guild Associates, Inc.	10.RD	770
Clemson University	10.RD	44,500
		<u>45,270</u>
Total U.S. Department of Agriculture		<u>132,883</u>
U.S. Department of Commerce:		
Direct programs:		
National Institute of Standards and Technology	11.RD	94,388
National Oceanic and Atmospheric Association	11.RD	6,338
Department of Commerce – Other Federal	11.RD	22,512
		<u>123,238</u>
Passed-through programs:		
University Corporation for Atmospheric Research	11.RD	117,076
South Carolina Sea Grant Consortium	11.RD	61,112
		<u>178,188</u>
Total U.S. Department of Commerce		<u>301,426</u>
U.S. Department of Defense:		
Direct programs:		
Office of Naval Research	12.RD	134,675
US Army Medical Command	12.RD	2,013,431
		<u>2,148,106</u>
Passed-through programs:		
Indiana University	12.RD	43,562
Idaho Technology Inc.	12.RD	27,778
Charleston Research Institute	12.RD	69,371
Clemson University	12.RD	29,561
Henry M. Jackson Foundation	12.RD	23,489
South Carolina Research Authority	12.RD	117,001
Texas Southern University	12.RD	2,034
Guild Associates	12.RD	7,838
Advanced Technology Institute	12.RD	1,103,363
		<u>1,423,997</u>
Total U.S. Department of Defense		<u>3,572,103</u>
U.S. Department of Justice:		
Direct programs:		
National Institute of Justice	16.RD	67,057
		<u>67,057</u>
Passed-through programs:		
New Jersey Department of Corrections	16.RD	28,574
		<u>28,574</u>
Total U.S. Department of Justice		<u>95,631</u>
National Aeronautics and Space Administration:		
Passed-through programs:		
South Carolina Space Grant Consortium	43.RD	20,600
College of Charleston	43.RD	42,315

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
		\$ 62,915
Total National Aeronautics and Space Administration		<u>62,915</u>
National Science Foundation:		
Direct programs:		
Mathematical and Physical Science	47.RD	93,850
Biological Sciences	47.RD	167,693
Polar Programs	47.RD	<u>124,055</u>
		<u>385,598</u>
Passed-through programs:		
College of Charleston	47.RD	7,417
Georgia Institute of Technology	47.RD	(1,679)
University of Missouri-Columbia	47.RD	272,025
South Carolina EPSCOR	47.RD	(1,750)
MFC Technologies, LLC	47.RD	24,168
South Carolina Research Authority	47.RD	<u>1,576,423</u>
		<u>1,876,604</u>
Total National Science Foundation		<u>2,262,202</u>
U.S. Department of Veteran Affairs:		
Direct programs:		
U.S. Department of Veteran Affairs-Other Federal	64.RD	<u>779,111</u>
Total U.S. Department of Veteran Affairs		<u>779,111</u>
Environmental Protection Agency:		
Passed-through programs:		
University of South Carolina	66.RD	<u>(187)</u>
Total Environmental Protection Agency		<u>(187)</u>
U.S. Department of Energy:		
Direct programs:		
Office of Science	81.RD	70,883
Epidemiology and Other Health Studies	81.RD	226,413
U.S. Department of Energy-Other Federal	81.RD	<u>4,232</u>
		<u>301,528</u>
Passed-through programs:		
MFC Technologies, LLC	81.RD	137,596
Savannah River	81.RD	305,790
South Carolina Universities Research and Education Foundation	81.RD	<u>2,095,866</u>
		<u>2,539,252</u>
Total U.S. Department of Energy		<u>2,840,780</u>
U.S. Department of Education:		
Direct programs:		
Office of Special Education and Rehabilitative Services	84.RD	978,040
Office of Post Secondary Education	84.RD	261,761
U.S. Department of Education-Other Federal	84.RD	<u>—</u>
		1,239,801
Passed-through programs:		
Charleston County School District	84.RD	<u>8,195</u>
Total U.S. Department of Education		<u>1,247,996</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Food and Drug Administration	93.RD	<u>153,308</u>
Total Food and Drug Administration		<u>153,308</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
National Institutes of Health	93.RD	\$ 539,866
National Institutes of Health	93.RD	2,431,028
National Institutes of Health	93.RD	249,010
National Institutes of Health	93.RD	2,964,003
National Institutes of Health	93.RD	62,574
National Institutes of Health	93.RD	5,025,008
National Institutes of Health	93.RD	403,696
National Institutes of Health	93.RD	332,511
National Institutes of Health	93.RD	4,058,190
National Institutes of Health	93.RD	16,698,663
National Institutes of Health	93.RD	(90,433)
National Institutes of Health	93.RD	5,267
National Institutes of Health	93.RD	260,924
National Institutes of Health	93.RD	10,668,017
National Institutes of Health	93.RD	1,114,613
National Institutes of Health	93.RD	340,384
National Institutes of Health	93.RD	5,106,807
National Institutes of Health	93.RD	2,069,286
National Institutes of Health	93.RD	1,250,415
National Institutes of Health	93.RD	458,796
National Institutes of Health	93.RD	28,414
National Institutes of Health	93.RD	9,185,033
National Institutes of Health	93.RD	240,069
National Institutes of Health	93.RD	672,845
National Institutes of Health	93.RD	1,623,815
National Institutes of Health	93.RD	6,928,233
National Institutes of Health	93.RD	10,259,843
National Institutes of Health	93.RD	1,017,514
National Institutes of Health	93.RD	218,011
National Institutes of Health	93.RD	3,886,576
National Institutes of Health	93.RD	1,182,340
National Institutes of Health	93.RD	1,752,442
National Institutes of Health	93.RD	1,881,042
National Institutes of Health	93.RD	448,318
National Institutes of Health	93.RD	1,642,324
National Institutes of Health	93.RD	(152)
		94,915,292
National Institutes of Health:		
American Recovery and Reinvestment Act (ARRA)	93.701 RD	9,596,699
Total National Institutes of Health		104,511,991
Health Resources and Services Administration	93.RD	830,763
Center for Disease Control and Prevention	93.RD	1,692,012
Agency for Healthcare Research and Quality	93.RD	523,322
Office of Population Affairs	93.RD	(218)
Substance Abuse and mental Health Services Administration	93.RD	61,568
U.S. Department of Health and Human Services-Other Federal	93.RD	3,172,393
Total U.S. Department of Health and Human Services		110,945,139
Passed-through programs:		
American Academy of Child and Adolescent Psychiatry	93.RD	27,139
American College of Radiology	93.RD	9,313
American College of Radiology Imaging Network	93.RD	140,814
Apogee Biotechnology Corporation	93.RD	104,601
Association of American Medical Colleges	93.RD	62,523
Baylor University	93.RD	45,563
Beth Israel Deaconess Medical Center	93.RD	75,726
Brigham and Young Women's Hospital	93.RD	137,052
Case Western Reserve University	93.RD	93,079
Cell and Tissue Systems, Inc.	93.RD	51,324

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Center for Public Service Communications	93.RD	\$ (102)
Children's Hospital of Philadelphia	93.RD	24,239
Children's Hospital Research Center at the University of Cincinnati	93.RD	2,673
Children's Hospital Research Foundation	93.RD	62,067
City College of New York	93.RD	34,244
Clemson University	93.RD	604,681
Clinical Trials and Surveys Corporation	93.RD	18,446
Cornell University Medical Center	93.RD	26,603
Dartmouth College	93.RD	93,511
Duke University	93.RD	97,957
Emory University	93.RD	246,927
Feinstein Institute for Medical Research	93.RD	10,050
Firststring Research, LLC	93.RD	2,101
Fred Hutchinson Cancer Research Center	93.RD	161,018
Friends of the Congressional Glaucoma Caucus Foundation, Inc.	93.RD	264
Guild Associates, Inc.	93.RD	6,084
Gynecologic Oncology Group	93.RD	11,398
Henry M. Jackson Foundation	93.RD	26,996
Jaeb Center for Health Research, Inc.	93.RD	245
Johns Hopkins University	93.RD	232,292
Johns Hopkins University (MISTIE)	93.RD	12,219
Lam Foundation	93.RD	20,485
Long Island Jewish Health Systems	93.RD	3,742
Louisiana State University	93.RD	15,147
Mayo Clinic	93.RD	(3,540)
Medical College of Georgia	93.RD	22,194
Montefiore Medical Center	93.RD	1,428
Morehouse School of Medicine, Inc.	93.RD	74,529
Mount Sinai Medical Center	93.RD	(701)
National Childhood Cancer Foundation	93.RD	93,406
New England Research Institute	93.RD	126,416
Northwestern University	93.RD	35,968
Novelos Therapeutics	93.RD	8,184
Optima Neuroscience, Inc.	93.RD	33,755
Oregon Health Sciences	93.RD	16,019
Princeton University	93.RD	404,001
Rady Children's Hospital San Diego	93.RD	37,428
Research Foundation for Mental Hygiene, Inc.	93.RD	38,795
Rhode Island Hospitals	93.RD	33,250
South Carolina Department of Health and Environmental Control	93.RD	61,249
South Carolina State University	93.RD	(1,108)
South West Oncology Group	93.RD	68,433
Southwest Foundation for Biomedical Research	93.RD	4,558
SphingoGene, Inc.	93.RD	106,004
St. Jude Children's Hospital	93.RD	756,337
St. Jude Medical, Inc.	93.RD	94,453
Temple University	93.RD	(9,978)
United States Immunodeficiency Network	93.RD	83,081
University of Alabama	93.RD	14,740
University of Alabama at Birmingham	93.RD	165,741
University of Arkansas	93.RD	10,032
University of California at Los Angeles	93.RD	163,318
University of California at San Diego	93.RD	24,558
University of Central Florida	93.RD	(2,749)
University of Chicago	93.RD	53,327
University of Cincinnati	93.RD	164,751
University of Colorado	93.RD	268,992
University of Connecticut	93.RD	102,346
University of Florida	93.RD	25,332
University of Georgia	93.RD	77,998
University of Illinois at Chicago	93.RD	91,301
University of Iowa	93.RD	33,472

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
University of Kansas Medical Center	93.RD	\$ 53,674
University of Louisville	93.RD	33,404
University of Maryland	93.RD	93,413
University of Massachusetts	93.RD	85,609
University of Medicine and Dentistry of New Jersey	93.RD	20,027
University of Miami	93.RD	2,541
University of Michigan	93.RD	6,525
University of Minnesota	93.RD	(5)
University of North Carolina	93.RD	86,133
University of Pennsylvania	93.RD	72,124
University of Pittsburgh	93.RD	58,784
University of South Carolina	93.RD	960,469
University of South Carolina (SC INBRE)	93.RD	16,230
University of South Florida	93.RD	177,968
University of Texas	93.RD	234,030
University of Texas Health Science Center	93.RD	105,753
University of Texas Southwestern Medical Center	93.RD	20,731
University of Texas Southwestern Medical Center at Dallas	93.RD	40,569
University of Toledo	93.RD	88
University of Vermont	93.RD	189,969
University of Washington at Seattle	93.RD	243,112
University of Wisconsin at Madison	93.RD	25,045
Vanderbilt University	93.RD	54,183
Virginia Commonwealth University	93.RD	(2,263)
Vortex Biotechnology Corporation	93.RD	102,654
Wayne State University	93.RD	59,836
Westat, Inc.	93.RD	26,151
		<u>8,504,495</u>
ARRA Passed-through programs:		
Clemson University	93.701 RD	28,578
Johns Hopkins University	93.701 RD	13,475
University of Texas Southwestern Medical Center	93.701 RD	41,096
Oklahoma Medical Research Foundation	93.701 RD	18,131
Oklahoma University Health Science Center	93.701 RD	34,198
University of Arkansas	93.701 RD	21,338
University of California at San Francisco	93.701 RD	132,764
University of Colorado	93.701 RD	574
University of Massachusetts	93.701 RD	12,117
University of Miami	93.701 RD	167,586
University of South Carolina	93.701 RD	249,926
University of the Virgin Islands	93.701 RD	91,628
University of Virginia	93.701 RD	15,791
		<u>827,202</u>
Total U.S. Department of Health and Human Services		<u>120,276,836</u>
Total Research and Development	*	<u>131,571,696</u>
Student Financial Aid – Cluster:		
U.S. Department of Education:		
Direct programs:		
Federal Supplemental Educational Opportunity Grants	84.007	26,979
Federal Family Education Loan Program	84.032	68,801,771
Federal Work-Study Program	84.033	349,594
Federal Perkins Loan Program	84.038	254,480
Federal Pell Grant Program	84.063	133,762
		<u>69,566,586</u>
Total U.S. Department of Education		<u>69,566,586</u>
Total Student Financial Aid		<u>69,566,586</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
Other Programs:		
U.S. Department of Commerce:		
Direct program:		
U.S. Department of Commerce	* 11.617	\$ 14,558,510
Total U.S. Department of Commerce		<u>14,558,510</u>
U.S. Department of Defense:		
Direct programs:		
US Army Material Command	12.431	4,042
U.S. Department of Defense – Other Federal	12.999	<u>129,830</u>
Total U.S. Department of Defense		<u>133,872</u>
U.S. Department of Justice:		
Direct programs:		
South Carolina State Office of Victims Assistance	16.582	<u>122,752</u>
		<u>122,752</u>
U.S. Department of Justice:		
Passed-through programs:		
South Carolina Department of Public Safety	16.575	49,502
South Carolina Department of Public Safety	16.588	89,532
South Carolina Department of Public Safety	16.607	2,507
South Carolina Department of Public Safety	16.801	38,947
South Carolina Department of Public Safety	16.999	<u>51,963</u>
		<u>232,451</u>
Total U.S. Department of Justice		<u>355,203</u>
National Science Foundation:		
Direct programs:		
National Science Foundation	47.076	41,089
Passed-through programs:		
South Carolina Research Authority	47.081	<u>25,000</u>
		<u>25,000</u>
Total National Science Foundation		<u>66,089</u>
U.S. Department of Veteran Affairs:		
Direct program:		
Veteran's Administration Medical Center	64.999	<u>969,139</u>
Total U.S. Department of Veteran Affairs		<u>969,139</u>
Environmental Protection Agency:		
Direct program:		
Office of Pollution Prevention and Toxics Substances	66.716	<u>68,339</u>
Total Environmental Protection Agency		<u>68,339</u>
U.S. Department of Energy:		
Direct program:		
U.S. Department of Energy	81.136	297,406
Passed-through programs:		
South Carolina Universities Research and Education Foundation	81.114	106,489
Tennessee State University	81.136	118,212
South Carolina State University	81.999	320,627
Savannah State University	81.999	<u>38,543</u>
		<u>583,871</u>
Total U.S. Department of Energy		<u>881,277</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
U.S. Department of Education:		
Direct program:		
Office of the Assistant for Postsecondary Education	84.200	\$ 153,941
Passed-through programs:		
South Carolina Department of Education	84.027	(54)
ARRA – State of South Carolina American Recovery and Reinvestment Act	* 84.394	12,553,939
		<u>12,553,885</u>
Total U.S. Department of Education		<u>12,707,826</u>
U.S. Department of Health and Human Services:		
Direct programs:		
Health Resources and Services Administration	93.107	358,260
Health Resources and Services Administration	93.110	2,275
National Institutes of Health	93.121	(936)
Health Resources and Services Administration	93.124	17,201
Health Resources and Services Administration	93.162	16,875
National Institutes of Health	93.173	12,299
Agency for Healthcare Research and Quality	93.225	3,284
National Institutes of Health	93.242	91,623
Substance Abuse and Mental Health Services Administration	93.243	191,796
Health Resources and Services Administration	93.247	28,863
Nurse Faculty Loan Program	93.264	32,281
National Institutes of Health	93.279	385,208
Centers for Disease Control and Prevention	93.283	519,088
Health Resources and Services Administration	93.358	77,445
Health Resources and Services Administration	93.359	179,843
National Institutes of Health	93.847	221,021
National Institutes of Health	93.853	1,072
National Institutes of Health	93.859	(4,620)
National Institutes of Health	93.879	214,274
Health Resources and Services Administration	93.884	333,732
Health Resources and Services Administration	* 93.887	3,038,926
U.S. Department of Health and Human Services-Other Federal	93.999	61,907
		<u>5,781,717</u>
Passed-through programs:		
South Carolina Department of Health and Environmental Control	93.153	114,202
Physician Micro Systems, Inc.	93.226	(2,512)
University of Georgia	93.242	1,437
Academic Pediatric Association	93.712	5,724
University of South Carolina	93.718	7,423
South Carolina Department of Health and Human Services	93.728	91,369
Wayne State University	93.847	19,743

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Year ended June 30, 2010

Federal grantor/pass-through grantor/program title	Federal CFDA number	Federal expenditures
University of North Carolina	93.865	\$ 41,699
South Carolina Department of Health and Environmental Control	93.889	14,552
South Carolina Department of Health and Environmental Control	* 93.917	1,501,879
South Carolina Department of Health and Environmental Control	93.940	91,316
University of South Carolina	93.969	39,023
South Carolina Department of Health and Environmental Control	93.994	36,534
University of Maryland	93.999	13,497
University of Maryland at Baltimore	93.999	279
South Carolina Tobacco Collaborative	93.999	(66)
Center for Public Service Communication	93.999	51,854
South Carolina Primary Health Care Association	93.999	10,751
National Environmental Education and Training Foundation	93.999	9,906
		<u>2,048,610</u>
Total U.S. Department of Health and Human Services		<u>7,830,327</u>
Total federal expenditures		<u>\$ 238,708,864</u>

* Denotes major program.

See accompanying notes to schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the Medical University of South Carolina (the University) and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

(2) Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures for student financial aid programs include the federal share of students' Federal Supplemental Educational Opportunity Grant (FSEOG) program grants and Federal Work Study (FWS) program earnings, certain other federal financial aid for students and administrative cost allowances, where applicable. Federal Pell grant awards are recognized as agency transactions and are not recorded as expenditures in the financial statements.

Expenditures for federal research and development programs are determined using the cost accounting principles and procedures set forth in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under these cost principles, certain expenditures are not allowable or are limited as to reimbursement.

(3) Non-Cash Assistance

Most federal financial assistance is in the form of cash awards. However, there are a number of federal programs that do not involve cash transactions with the University. These non cash transactions in which the University obtains other assistance are the Federal Family Education Loan Program (FFELP), which includes the Federal Stafford Student Loan program (subsidized and unsubsidized) and the Federal Parent Loans for Undergraduate Students (FPLUS) and revolving loan programs such as the Federal Perkins Loan program.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

The loans advanced and related expenditures are as follows for the various student loan programs:

	<u>CFDA number</u>	<u>Amount</u>
Federal Perkins Loan Program:		
Student loans advanced	84.038	\$ 708,515
Cancellation of loans		254,480
Total Federal Perkins Loan Program		\$ 962,995
Federal Family Education Loan Program –		
Student loans advanced:	84.032	
Stafford Loan Program		\$ 14,399,063
Unsubsidized Stafford Loan Program		38,645,668
Federal PLUS Loan Program		78,838
Federal Graduate PLUS Loan Program		15,678,202
Total Federal Family Education Loan Program		\$ 68,801,771
Health Professions Student Loans, including Primary Care		
Loans/Loans for Disadvantaged Students:		
Loans advanced	93.342	\$ 1,520,184

The Federal Perkins Loan, Health Professions Student Loan (HPSL), and the Loans for Disadvantaged Students (PCL) programs are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. The balance of loans outstanding under the Federal Perkins, HPSL, and PCL programs were \$5,327,126, \$4,755,101, and \$3,392,704, respectively, as of June 30, 2010.

The University is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loan Programs and, accordingly, these loans are not included in its financial statements. It is not practicable to determine the balance of loans outstanding to students and former students of the University under these programs as of June 30, 2010.

(4) Matching

Under the Federal Work Study (FWS) program, the University matched \$85,590 in total compensation for the year ended June 30, 2010 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the Federal Supplemental Education Opportunity Grant (FSEOG) program, the University matched \$6,745 in funds awarded to students for the year ended June 30, 2010 in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(5) Subrecipients

Of the federal expenditures presented in the schedule, the University provided federal awards to subrecipients as follows:

Federal granting agency	Federal CFDA number	Amount provided to subrecipients
U.S. Department of Agriculture: Department of Agriculture	10.RD	\$ 8,879
Total U.S. Department of Agriculture		8,879
U.S. Department of Defense: Department of Defense	12.RD	3,808
Pass-through programs from: Advance Technology Institute	12.RD	35,000
Total U.S. Department of Defense		38,808
National Science Foundation: National Science Foundation	47.RD	1,345
Total National Science Foundation		1,345
U.S. Department of Energy: U.S. Department of Energy	81.RD	33,780
Pass-through programs from: South Carolina Universities Research and Education foundation	81RD	433,574
Total U.S. Department of Energy		467,354
U.S. Department of Education: U.S. Department of Education	84.RD	148,403
Total U.S. Department of Education		148,403

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal granting agency	Federal CFDA number	Amount provided to subrecipients
U.S. Department of Health and Human Services:		
U.S. Department of Health and Human Services	93.RD	\$ 10,228,791
Pass-through programs from:		
St. Jude Children's Hospital	93.RD	90,569
The Clinical Trials and Surveys Corporation	93.RD	6,207
Princeton University	93.RD	82,559
National Institutes of Health:		
American Recovery and Reinvestment Act (ARRA)	93.701 RD	66,287
Pass-through programs from:		
University of Miami	93.701 RD	97,669
Total U.S. Department of Health and Human Services		<u>10,572,082</u>
Total Research and Development		<u>10,572,082</u>
U.S. Department of Health and Human Services:		
Health Resources and Services Administration	93.107	284,454
National Institutes of Health	93.242	59,106
Substance Abuse & Mental Health Services Administration	93.243	7,741
National Institutes of Health	93.859	(35,631)
Health Resources and Services Administration	93.879	31,439
Pass-through programs from:		
South Carolina Dept of Health and Human Services	93.728	7,780
University of South Carolina	93.969	33,740
South Carolina Primary Health Care Association	93.999	1,544
Total U.S. Department of Health and Human Services		<u>390,173</u>
Total Federal Expenditures		<u>\$ 11,627,044</u>



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**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing
Standards***

Board of Trustees
The Medical University of South Carolina
Charleston, South Carolina:

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Medical University of South Carolina (the University), a department of the State of South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, discretely presented component units, were not audited in accordance with *Government Auditing Standards*. Other auditors audited the financial statements of the Medical University of South Carolina Foundation and the MUSC Foundation for Research Development, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters did not include the Medical University Hospital Authority. We have issued separate reports on our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters for this entity. The findings, if any, included in that report are not included herein.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable



possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the University in a separate letter dated October 15, 2010.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 15, 2010



KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

**Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

Board of Trustees
The Medical University of South Carolina
Charleston, South Carolina:

Compliance

We have audited the compliance of the Medical University of South Carolina (the University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the requirements governing maintaining contact with borrowers and billing and collection procedures and processing deferment and cancellation requests and payments in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Compliance Supplement. Those requirements govern functions performed by Educational Computer Systems, Inc. (ECSI). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ECSI's compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2010 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audit of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ECSI's compliance with such requirements.

The University's basic financial statements include the operations of the Medical University Hospital Authority (the Authority), which received \$404,663,317 in federal awards which is not included in the Schedule of Expenditures of Federal Awards during the year ended June 30, 2010. Our audit, described below, did not include the operations of the Authority because the Authority's federal awards are separately audited in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the



University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2010-1 through 2010-4.

Internal Control over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 2010-1 through 2010-4. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the University's internal control.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses, and accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the University, a department of the State of South Carolina, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. Our report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 22, 2011, except as to the paragraph relating to
the schedule of expenditures of federal awards,
which is as of October 15, 2010

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **Unqualified opinion**
- (b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements: **None reported** Material weaknesses: **None**
- (c) Noncompliance which is material to the basic financial statements: **None**
- (d) Significant deficiencies in internal control over major programs: **Yes, see findings 2010-01 through 2010-04** Material weaknesses: **None**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under Section 0.510(a) of OMB Circular A-133: **Yes, see findings 2010-01 through 2010-04**
- (g) Major Federal programs: **Research and Development cluster (various CFDA numbers), Congressionally - Identified Projects (CFDA number 11.617), ARRA - State Fiscal Stabilization Fund (CFDA number 84.394), Health Care and Other Facilities (CFDA number 93.887) and Ryan White Program (CFDA number 93.917)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **Yes**

(2) Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 2010-01

Activities Allowed/Allowable Costs

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Research and Development Cluster
Pass-through Entity:	National Institutes of Health
CFDA No.	93.RD
Federal Award Year:	See Appendix A

Criteria

For fiscal year 2010, Public Law III-117; *Consolidated Appropriations Act, 2010* restricts the amount of direct salary that an individual may receive under a National Institutes of Health (NIH) grant.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Condition

During our test work over the Research and Development Cluster, we selected a sample of 65 payroll expenditures, which totaled \$417,046. In one of our samples, it was determined a NIH salary cap had been exceeded and the excess had been charged to the program. Upon discovery, the University compiled all salaries that were charged to NIH grants from their payroll system. Each employee who had a salary in excess of the NIH cap was reviewed to determine if the salary excess was charged to the grant. Upon further testing, it was determined that the University had incorrectly charged NIH grants in excess of the salary cap for several programs in 2010 and 2009.

Cause

The University experienced breakdowns in its process to ensure that salaries that exceed the NIH salary cap are properly segregated so that the excess is not charged to the NIH grant. The deficiency appears not to be systemic in nature as it only relates to the population of NIH grants.

Questioned Cost

\$35,240 (2010)

\$19,050 (2009)

Effect

Noncompliance could result in the excess charges of salaries against the grant and the University having to return funds to the NIH.

Recommendation

We recommend that the University grant administration continue to strengthen its processes and controls in place to help ensure that all salaries for NIH grants are closely monitored and salary increases are adjusted appropriately to ensure the salary cap is not exceeded.

Management response

We take no exception to the reported finding. During the course of the audit, we performed a complete review to identify all employees with salary charged to awards subject to the NIH salary cap. We then verified if we had appropriately adjusted those salaries which exceeded the cap. The questioned amounts reported above represent the salaries we identified and have subsequently been corrected.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Finding 2010-2

Reporting – Financial Status Reports

Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Research and Development Cluster
Pass-through Entity:	National Institutes of Health Health Resources and Services Administration Agency for Healthcare Research and Quality
CFDA No.	93.RD
Federal Award Year:	See Appendix B

Criteria

Per Circular A-110, Section 52, the Federal awarding agency shall determine the frequency of the Financial Status Report for each project or program, considering the size and complexity of the particular project or program. Each project is assigned a reporting due date for which financial status reports, forms 269s, must be filed.

Condition

During our test work over the Research and Development Cluster, we selected a sample of 40 financial status reports and noted that 19 of the reports had not been submitted within the required time frame as stipulated in the grant agreement.

Cause

The University experienced breakdowns in its process to ensure that all grant reports are submitted on a timely basis. The reporting exception appears to be systemic in nature.

Questioned Cost

None.

Effect

Noncompliance could result in a lack of timely reporting in accordance with the terms of the grant agreement.

Recommendation

We recommend that the University strengthen its processes and controls in place to help ensure that all financial status reports are submitted in a timely manner in accordance with the grant agreement.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Management Response

We take no exception to the reported finding. Management is currently reviewing the increased reporting workload to determine the most reasonable course of action to ensure reports are submitted in a timely manner.

Finding 2010-3

Subrecipient Monitoring

Federal Agency:	U.S. Department of Energy U.S. Department of Health and Human Services
Federal Program:	Research and Development Cluster
Pass-through Agency:	South Carolina Universities Research and Education Foundation National Institutes of Health
CFDA No.	81.RD and 93.RD
Award year:	September 15, 2005 - March 14, 2011 February 1, 2008 - April 30, 2013

Criteria

Under OMB Circular A-133, at the time of the award, a pass-through entity is responsible for identifying to the subrecipient the federal award information including CFDA title and number, award name and number, if the award is research and development, and the name of the Federal awarding agency.

Condition

During our test work over the Research and Development Cluster, we selected a total sample of 75 sub recipients. Within our sample, we noted that one subrecipient was provided the incorrect CFDA number and at the time of the audit the University did not correct the error. We noted the University has a control in place whereby a checklist is prepared to ensure all required documentation has been completed. During our testwork, we also noted one subrecipient for which the checklist could not be located and the University completed the checklist at the time of the audit.

Cause

The University experienced breakdowns in its process to ensure that all information provided to sub recipients is accurate. The subrecipient monitoring exception does not appear to be systemic in nature based on the limited number of exceptions identified in our sample test work results.

Questioned Cost

None.

Effect

Noncompliance could result in ineffective monitoring of subrecipients and lack of accuracy in reporting pass-through awards.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation

We recommend that the University strengthen its processes and controls in place to help ensure that all information provided to subrecipients is correct.

Management Response

We take no exception to the reported finding. The University recently installed a new electronic grants management system. The target date for the completed implementation is July 1, 2011. The new system includes the controls and edit checks necessary to eliminate these types of errors.

Finding 2010-4

Reporting – Financial Status Reports

Federal Agency:	U.S. Department of Commerce
Federal Program:	Hollings Cancer Center
CFDA No.	11.617
Federal Award Year:	July 1, 2004 - December 31, 2010

Criteria

Per Circular A-110, Section 52, the Federal awarding agency shall determine the frequency of the Financial Status Report for each project or program, considering the size and complexity of the particular project or program. Each project is assigned a reporting due date for which financial status reports, forms 269s and forms 272s, must be filed.

Condition

During our test work over the Hollings Cancer Center program, we selected a sample of 6 financial status reports and 6 performance reports and noted that none of the reports had been submitted within the required time frame as stipulated in the grant agreement.

Cause

The University experienced breakdowns in its process to ensure that all grant reports are submitted on a timely basis. The reporting exception appears to be systemic in nature.

Questioned Cost

None.

Effect

Noncompliance could result in a lack of timely reporting in accordance with the terms of the grant agreement.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation

We recommend that the University strengthen its processes and controls in place to help ensure that all financial status reports are submitted in a timely manner in accordance with the grant agreement.

Management Response

We take no exception to the reported finding. Management is currently reviewing the increased reporting workload to determine the most reasonable course of action to ensure reports are submitted in a timely manner.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Project Periods for Programs
Related to Finding 2010-1

Year ended June 30, 2010

CFDA Number	Project beginning date	Project ending date
93.RD	January 2, 1999	January 1, 2015
93.RD	May 2, 2013	May 1, 2018
93.RD	January 2, 1998	March 1, 2015
93.RD	March 2, 2007	February 1, 2016
93.RD	September 2, 2009	September 1, 2014
93.RD	September 2, 2007	July 1, 2014
93.RD	September 16, 2009	June 1, 2015
93.RD	March 3, 2009	September 1, 2013
93.RD	June 2, 2010	May 1, 2014
93.RD	September 16, 2011	July 1, 2016
93.RD	September 30, 2011	September 29, 2018
93.RD	April 2, 2012	April 1, 2014
93.RD	January 16, 2012	November 1, 2014
93.RD	October 1, 2010	August 1, 2016
93.RD	July 2, 2012	September 1, 2016
93.RD	September 30, 2012	September 1, 2016
93.RD	July 2, 2013	September 1, 2016
93.RD	July 2, 2013	April 1, 2018
93.RD	September 2, 2013	May 15, 2014
93.RD	October 1, 2013	September 1, 2015
93.RD	October 1, 2013	September 30, 2015
93.RD	July 2, 2013	April 1, 2016
93.RD	October 1, 2013	September 1, 2014
93.RD	April 16, 2014	April 1, 2019

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

Schedule of Project Periods for Programs
Related to Finding 2010-2

Year ended June 30, 2010

CFDA Number	Project beginning date	Project ending date
93.RD	July 2, 2012	July 1, 2013
93.RD	August 2, 2012	August 1, 2013
93.RD	March 2, 2009	February 1, 2014
93.RD	September 6, 2012	March 1, 2014
93.RD	February 16, 2010	February 1, 2014
93.RD	July 2, 2008	October 1, 2013
93.RD	April 2, 2012	April 1, 2014
93.RD	February 2, 2009	April 1, 2014
93.RD	September 2, 2006	September 1, 2013
93.RD	September 2, 2012	September 1, 2013
93.RD	August 2, 2011	October 1, 2013
93.RD	August 2, 2011	August 1, 2013
93.RD	July 2, 2012	July 1, 2013
93.RD	August 16, 2010	August 1, 2013
93.RD	June 2, 2012	June 1, 2013
93.RD	August 2, 2012	August 1, 2013
93.RD	August 2, 2012	August 1, 2013
93.RD	February 2, 2008	September 1, 2013